

**U.S. House of Representatives
Subcommittee on Housing and Community Opportunity**

**Hearings on H.R.3995:
the Housing Affordability for America Act of 2002
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Testimony of:
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Thank you for inviting me to testify today regarding H.R. 3995, the Housing Affordability for America Act of 2002; the National Housing Trust Fund as proposed in H.R.2349; and, more specifically, about the experience with local housing trust funds in the United States.

My name is Mary Brooks and I direct the Housing Trust Fund Project for the Center for Community Change. The Center is a national non-profit organization that provides technical assistance to community-based organizations on housing and community development issues. The Housing Trust Fund Project is the only national clearinghouse of information on housing trust funds. I provide information and technical assistance to agencies and organizations working to create and implement housing trust funds. I live and work out of California and have been directing the Housing Trust Fund Project since 1986.

I am deeply appreciative of your consideration of the merits of a national housing trust fund. This is an important time to create a housing trust fund at the national level. There are few elements in the human life that are more pivotal than a decent affordable home. If we care about healthy communities, giving citizens a chance to reach their full potential, and providing families with a safe environment, we cannot do so without addressing the critical housing needs that exist in the United States. Housing is a stimulus for the economy and today begs for action from Congress to make a meaningful commitment to provide needed housing for our poorest citizens. Putting H.R.2349 in place would not only help support thousands of new homes, it could create 1.8 million new jobs and \$50 billion in wages. (*Home Sweet Home: Why America Needs a National Housing Trust Fund*, Center for Community Change, 2001.)

My intent today is to give you a picture of how successful local housing trust funds have been and why this is the case. There is a lot we can learn from these highly innovative local initiatives. They speak directly to the potential for creating a federal housing trust fund.

Overview of Housing Trust Funds in the United States

There are presently more than 250 housing trust funds in cities, counties and states throughout the country. Attached to this written testimony are maps identifying where housing trust funds currently exist.

These unique funds secure a dedicated source of public revenue to support critical housing needs. They advance the historical way this country has funded affordable housing by providing an on-going stream of funding that is not dependent on annual budget battles to allocate scarce resources. Housing is so basic to the health of every American community that it deserves the kind of funding commitment a housing trust fund can promise.

The earliest housing trust funds were created in the late 1970's—we now have decades of experience with these trust funds. Overall today, they commit nearly \$750 million each year to address critical housing needs. They support thousands of homes annually, providing first-time homebuyers an opportunity to purchase a home; creating new rental homes; enabling weatherization and other repairs for those who cannot afford it; providing new opportunities for homeless families; enabling housing to remain affordable and much more.

How Housing Trust Funds Work

There are three key elements of every housing trust fund:

Administration: Most housing trust funds are administered by a public or quasi-public agency because housing trust funds involve *public* funds. Housing trust funds typically create oversight boards that are broadly representative of the housing community, including banks, realtors, developers, nonprofit development organizations, housing advocates, labor, service providers, and low income residents.

Many housing trust funds coordinate the application process for their trust dollars with other available sources of funding, such as the HOME program, the Community Development Block Grant Program, and the federal Low Income Housing Tax Credit program.

Programs: Housing trust funds are created locally to address the most critical housing needs that exist. Most housing trust funds provide funding through loans and grants. Eligible applicants typically include nonprofit developers, for-profit developers, government entities, Native American tribes, housing authorities, and others.

Eligible activities are usually quite broadly defined, including: new construction, rehabilitation, acquisition, emergency repairs, accessibility, first time home ownership, and many other activities. Rental assistance is provided by some housing trust funds. There are a few housing trust funds that serve only the needs of the homeless population and define their activities accordingly.

Most housing trust funds serve populations earning no more than 80% of the area median income, but some serve lower incomes or set aside a portion of the funds to serve only lower incomes. It is typical for trust funds to give priority to applicants that are providing homes for those with the lowest incomes. Many housing trust funds require that the units supported through the trust fund remain affordable to the targeted population for a defined amount of time or in perpetuity.

Revenue Sources: Identifying public revenue sources that can be committed to a local housing trust fund is at the core of creating these funds. Without a dedicated ongoing source of revenue, we can funnel funds into housing programs, but there is no opportunity to move beyond what history has proven to be out of our reach. Providing affordable homes deserves a permanent commitment of available resources.

The most common revenue source for a *city housing trust fund* is a linkage program—these are impact fees placed on non-residential developers to offset the impact of their development’s employees on the housing supply. Along with linkage fees, inclusionary zoning in-lieu fees are also used by many jurisdictions. Other cities have committed various fees (such as condominium conversion fees, demolition fees, etc.); property taxes; real estate excise taxes; and hotel/motel taxes.

The most common revenue source for a *county housing trust fund* is document recording fees. Other sources used by counties, however, include sales taxes, developer fees, or real estate excise taxes.

The most common revenue source for a *state housing trust fund* is the real estate transfer tax. But states have committed nearly two dozen revenue sources to housing trust funds. Other options include: interest from state held funds (unnamed unclaimed property funds, budget stabilization funds, among others); interest from real estate escrow or mortgage escrow accounts; and document recording fees. Recent new state housing trust funds have dedicated state income taxes, unclaimed lottery earnings, unused TANF funds and unused Section 8 reserves.

Why Housing Trust Funds are Successful

You don’t need me to tell you how successful housing trust funds have been. The trust funds can speak for themselves. Here are just a few stories they tell:

- **Nebraska’s** Affordable Housing Trust Fund has awarded \$15.9 million, leveraging \$78.2 million in other funds since the program started in 1998. Funds have

helped provide 819 units. These activities will generate \$167 million in community investment and create 1,773 new jobs.

- **New Jersey's** Neighborhood Preservation Balanced Housing Program has committed nearly \$295 million to provide 16,625 affordable homes. The program supports new construction and rehabilitation throughout the state. Approximately one-third of the funds have supported development in non-urban communities.

- **Illinois'** Housing Trust Fund receives \$16-20 million each year. A portion is set aside to support a housing bond program. In 2001, the trust fund received nearly \$30 million in dedicated revenue and helped more than 4,000 families obtain decent affordable housing.

- **Arizona's** Housing Trust Fund committed \$9,142,258 in 2000 as part of \$89.7 million invested by the state's Office of Housing and Community Development. The total estimated economic contribution to the state economy is \$612.5 million. This will create 9,929 jobs and \$219.3 million in wages. Tax benefits to the state and local governments during construction are estimated to be \$32.9 million with an estimated \$1.4 million paid in property taxes each year.

- **Vermont's** Housing and Conservation Trust Fund is the only trust fund in the nation serving the dual purposes of preserving affordable housing and protecting natural resources. The state's Governor Dean commends the Fund: *"Investments made through the Vermont Housing and Conservation Board will leave a legacy of healthier communities—economically diverse and ready to grow, yet configured in settlement patterns that reflect the Vermont traditions we all admire."* The Fund has committed more than \$38 million to 2,485 affordable homes.

- **Sacramento, California's** City and County Housing Trust Funds have provided more than \$19 million, leveraging another \$226 million to support 2,000 units of needed housing. Estimates are that each project returned an average of \$227,000 to the economy every year.

- **North Carolina's** Housing Trust Fund has won three national awards for innovative programs. 86% of Trust Fund housing benefits citizens earning less than 50% of median income. The Fund has brought good housing into reach for 8,500 low-wage families. *"The Fund's investments strengthen families, rebuild neighborhoods, and enable local leaders to draw other matching investments into their communities. As a result, all 100 counties have better housing and our economy is stronger."* Last year, the Fund awarded \$6.68 million to assist 1,114 housing units. They estimate that this will generate 4,300 jobs and \$38.5 million in tax revenues.

- **Massachusetts'** Affordable Housing Trust Fund provided \$14.5 million last year, leveraging more than \$8 for every \$1 from the Trust Fund. The resulting development activity from this \$125 million investment will provide jobs for hundreds of

contractors, builders and tradesmen; provide quality housing; and return vacant and substandard housing back to local tax rolls.

- **St. Paul, Minnesota's** STAR Program has funded more than 260 projects with \$27 million since it was created in 1993. Fifty four projects were awarded more than \$6 million in 2000. These funds will generate an additional \$43 million in outside investments and create an estimated 250 full-time positions and 525 temporary construction-type jobs.

- **Fort Wayne, Indiana** has used its housing trust fund dollars to fund repairs to low and very low income homeowners. “...*our greatest accomplishment is allowing families to stay in their homes.*”

- **Boulder, Colorado** committed nearly \$3 million to ensure that 284 affordable homes remain affordable during the last fiscal year. This represents more than \$37 million of real estate. Boulder's permanently affordable housing inventory was increased by more than 16% during the past two years. Of the 284 homes, 174 are homeownership units and 100 are rentals.

- **Chicago, Illinois'** Low Income Housing Trust Fund has leveraged \$37.1 million to successfully subsidize 11,402 units of affordable rental housing for those most in need. Mayor Richard Daley says: “*The Chicago Low Income Housing Trust Fund links business and government, enabling them to work together with landlords and residents to bring affordable housing to diverse Chicago neighborhoods.*”

- **Pennsylvania's Act 137** developed a model state-wide program under consideration by several other states. Counties can create their own local housing trust funds using document recording fees. Forty counties have selected to do so, adding nearly \$15 million each year for providing affordable homes throughout the state. The Pennsylvania Housing Finance Agency reports that Act 137 provides counties: “...*tangible and potential benefits gained from forming their own local, affordable housing trust funds.*”

There are two basic principles that sustain the success of housing trust funds:

A Dedicated On-going Source of Public Revenue: A dedicated source of public revenue is the only way to sustain a commitment to addressing the critical housing needs that exist in this country. Appropriating scarce resources each budget cycle works contrary to our best instincts and knowledge about how to produce good housing. Developing decent affordable homes takes years to produce; requires packaging seven to eight or more different sources of funding; needs to successfully move through scores of approval processes; calls for working with the community to ensure the best and most consistent design; and mandates a commitment over time to make sure the housing works for those families in need. An on-going source of dedicated public revenue ensures developers that funding can be obtained as they initiate complex projects.

Housing trust funds enable jurisdictions to develop sound long-range policies and planning principles to guarantee decent affordable housing that builds neighborhoods and provides families with a safe environment. Housing needs that exist today are complex and an on-going source of revenue encourages the careful planning required and the innovation needed to address all needs. Housing trust funds are impressive in the leverage they gain through these trust funds ... anywhere from \$5-10 in other public and private dollars for every \$1 dollar committed by the housing trust fund.

Flexibility to Address the Full Range of Housing Needs: Housing trust funds typically serve those housing needs that are not being addressed by other programs. They work in tandem with other federal funds, such as HOME, the Community Development Block Grant Program, and the Federal Low Income Housing Tax Credit. Without a doubt, the ability to use local revenue with the flexibility that trust funds allow is the single reason most commonly cited for the popularity of these unique funds.

Housing Trust Funds provide a picture of what jurisdictions throughout the country would do to address critical housing needs if left to their own resources. Housing trust funds enable them to direct funds where they are needed most.

Yet jurisdictions should not be left only to their own resources. The federal government can and should be the leader in providing every citizen a decent affordable safe home. 250 local housing trust funds are asking the federal government to do the same—make a permanent commitment to providing a home for every American. The benefits are real—but the commitment must be too. I can confidently tell you that if you create a national housing trust fund with a permanent stream of ongoing revenue, we can make significant gains in addressing the country's housing woes. Isn't it time.

Thank you.